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TAGS: [ECON](#) [ELAB](#) [PREL](#) [PGOV](#) [MX](#)  
SUBJECT: SME CRISIS EXPOSES WEAKNESSES IN MEXICO'S UNIONS

A: Mexico 2865  
[1](#)B. Mexico 2933  
[1](#)C. Mexico 2978

[1](#)1. (SBU) Summary: Apparently around 150,000 people marched in the streets of Mexico City Thursday, October 15 in a show of solidarity with the Sindicato Mexicano de Electricistas (SME), the union of the now defunct electrical provider, Luz y Fuerza del Centro (LFC). According to media polls and Laboff contacts, public opinion remains divided on the issue of the SME. Radical and independent unions associated with the left-wing PRD and the Union Nacional de Trabajadores (UNT) sympathize with the SME, while the traditional unions associated with the PRI have kept their distance. Former presidential candidate Andres Manuel Lopez Obrador (AMLO) and Mexico City Mayor Marcelo Ebrard (both PRD) have thrown their lot in with the SME - at least for now. There are the usual calls for union solidarity against the federal government and for large-scale union action, but future plans remain unclear. Some observers suggest that last Thursday's march was the SME's last hurrah; the SME, however, is keeping the rhetoric up and promises peaceful future actions against the government. Partly as a result of Thursday's march, the federal government invited the SME to the negotiating table on October 16. The SME walked away from the negotiations on October 19, citing fears of "government trickery." The federal government continues to follow through on retirement payments, re-employment, and retraining. To date the GOM has played its hand well in tackling one of the most corrupt Mexican unions. End summary.

#### Government and Union Negotiations Fall Apart

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[1](#)2. (SBU) Mexico City Mayor Marcelo Ebrard (PRD) has become an advocate for the SME workers and arranged to have Secretary of Government Fernando Gomez Mont agree to meet SME negotiators to discuss the dissolution of LFC. Negotiations fell apart shortly after they began, however, because of both sides' intractability. SME wants nothing less than the reformation of LFC and the union, and Secretary of Labor Javier Lozano has publicly refused to reverse the government's dissolution decree. The federal government agreed to the talks to discuss the workers' situation and ensure total conformity with laws protecting workers. On October 15 a plurality of parties in Mexico's Chamber of Deputies approved a measure authorizing an investigation into the constitutionality of the dissolution of LFC. Gomez Mont has stated his confidence in the legality of the government's abolition of LFC and welcomes judicial confirmation. The SME is equally confident that the courts will rule in favor of the workers.

[1](#)3. (SBU) Ebrard has been a constant and steady figure in this process. As a PRD mayor, his political sympathies lie with the SME, but Laboff contact suggests that as a politician he has shown himself to be moderate and modern in previous situations. Ebrard also has national political aspirations and would like to be part of the solution without dramatically weakening the institutions he hopes to run someday. Ebrard's close relationship with Andres Manuel

Lopez Obrador (AMLO) and SME leader Martin Esparza could affect his ability to be an honest broker, but to date he has been a mostly positive force in this crisis.

#### PAN Calls for More Reform

14. (SBU) Some PAN lawmakers have begun to encourage Calderon and the federal government to be consistent in its approach to labor and unions and to close down the unions of the oil workers, the teachers, and the public service workers, among others. They argue that with consistency Calderon can avoid accusations of personalizing and politicizing this issue. It is unclear and unlikely that Calderon will take this advice, given the enormity of the task. If Mexican unions sensed a general threat, they might break out of their self-interested shells to call a general strike. The consequences could be devastating for Mexico and for foreign investors. (Comment: Although the costs may be too high for the Calderon Administration to bear in the short term, in the long term many observers believe that Mexico needs to take on the country's most powerful unions to complete necessary reforms in labor, education, energy, and other sectors. End comment)

#### Other Unions Keep their Distance

15. (SBU) Mexico's other unions are involved in this process as well, but the role they will play and the extent of their involvement on either side remains to be seen. According to some Laboff contacts, the big established unions, mostly associated with the PRI, have little incentive to risk their relations with the federal government for another union's woes and a significant incentive to watch the PAN and the PRD fight it out. On the other hand, unions would be foolish not to see the beginning of a pattern of attacks on labor

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rights and union autonomy. Unions calling for solidarity with the SME point to the situation of the miners' union, on strike now for three years, and suggest that the successive PAN governments have revealed their party's true anti-labor agenda.

#### Government Responds to Union Pressures

16. Meanwhile, the government and the Labor Secretariat are doing their best to respond to the charges that Calderon, who ran as the "employment president" should now be known as the "unemployment president" for putting 44,500 workers out of jobs during a bad recession. As part of the negotiation process, the government agreed to add several non-electrical sector employment opportunities to the severance package for active employees who accept severance before November 14. Among the opportunities proffered by the government are franchise establishment, small business start-up support, and cooperative formation assistance. Former LFC employees have also been offered scholarships for professional development training in a wide variety of subjects ranging from English language to graphic design. The government has also opened centers for former LFC employees to research their options, and it continues to honor the severance pay-outs for retirees, pensioners, and those active employees who have accepted the severance already.

17. (SBU) The complex association between unions and political parties further complicates the responses of all parties as this crisis moves forward. The SME broke ranks from Mexico's other electrical unions to support AMLO (PRD) against Calderon (PAN) and Madrazo (PRI) in the 2006 presidential election, and some radicals claim that this is a political move by the PAN to avenge AMLO's near win for the PRD. While some PRI governors have declared themselves supportive of the SME, most PRI officials and unions have tacitly supported Calderon. With editorialists gleefully claiming that the government's next step should be to take on other entrenched union interests, there is still a strong reason among the powerful unions to isolate themselves even while potentially dangerous precedents are being set.

#### Union Issues and Union Solidarity

18. (SBU) The powerful, traditional unions in Mexico are usually connected to the PRI, while the dissenting unions are usually

associated with the new political opposition, i.e. the left-wing PRD. No unions claim association with the right-wing and overtly pro-business PAN. On October 15, the union opposition movement in Mexico held a conference on a Mexican phenomenon known as 'contratos colectivos de trabajo del proteccion patronal,' i.e. collective workers' contracts for employer protection. These are seen as a corporatist arrangement between union leaders, business leaders, and the federal government. Their purpose is to protect employers from independent and potentially antagonistic union organizing by providing them with an officially recognized union. Often workers are unaware of these pre-formed unions, and many complain that the unions are unrepresentative. The existence of these pre-formed unions blocks the creation of an independent union organized internally by workers and protects the employer from workers' demands. The controversial process of obtaining official government recognition of union leadership, called the 'toma de nota,' gives the government final authority over which unions can operate in which companies.

#### Complex and Emotional Situation

19. (SBU) Comment: There are at least three major themes in the SME situation that merit attention. First, from a business aspect, there is general agreement that LFC was inefficient and badly run, though who should bear responsibility for the condition of LFC's infrastructure is still being discussed. The second issue is the question of union autonomy. While the SME's position may have been unsustainable, and even indefensible, there is a clear need for strong dividing lines between government authority and union rights. Mexico has ratified several ILO conventions on workers' rights, but national laws and labor culture have not yet incorporated the rights laid out in those conventions. The third issue is the political aspect of the confrontation which can again be divided into internal union party politics and external national political positioning. SME is just one example of a union in internal disarray: many are facing strong dissident movements. Union leaders' loss of internal political control contributes to the uncertainty of the SME situation and opens a world of possibilities for opportunistic politicians and internal dissenters. Externally the federal government must respond to SME accusations, other unions' fears, and the Mexican taxpaying public in a time of significant financial and economic uncertainty. Calderon is in a must-win position, or he will risk being viewed as a weak, lame-duck president and his party could

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lose public support. The PRD also needs a political victory to substantiate its claims that the government and PAN party have an innate antagonism toward all unions. The PRD also needs desperately to attract workers to its cause in time for the presidential elections in 2012, especially following its dismal results in the July mid-terms. The PRI is in the interesting position of watching its competitors test the national mood and will likely support the winning side for a political fee that is yet to be revealed. These issues are impossible to treat separately, but they still must all receive consideration as the parties work towards a resolution. End comment.  
FREELEY